

*Financial Statements and Required Supplementary
Information*

Majuro Atoll Waste Company

(A Component Unit of the Republic of the Marshall Islands)

Year Ended September 30, 2022

with Report of Independent Auditors



Majuro Atoll Waste Company
(A Component Unit of the Republic of the Marshall Islands)

Financial Statements and Required Supplementary Information

Year Ended September 30, 2022

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Report of Independent Auditors

The Board of Directors
Majuro Atoll Waste Company

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Majuro Atoll Waste Company (MAWC), a component unit of the Republic of the Marshall Islands, which comprise the statement of net position as of September 30, 2022, and the related statements of revenues, expenses and changes in net position and of cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise MAWC's financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of MAWC as of September 30, 2022, and the changes in financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MAWC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

Dependency on the Government of the Republic of the Marshall Islands

As discussed in Note 5 to the financial statements, MAWC has incurred recurring losses and negative cash flows from operations which heightens MAWC's dependency on the Government of the Republic of the Marshall Islands to support its operations. Management's plans concerning these matters are described in Note 5. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MAWC's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MAWC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MAWC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 9 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2024, on our consideration of MAWC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MAWC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MAWC's internal control over financial reporting and compliance.

Ernst & Young LLP

February 5, 2024

Majuro Atoll Waste Company
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis

Year Ended September 30, 2022

OVERVIEW

Majuro Atoll Waste Company (MAWC) management offers the readers of MAWC's financial statements this narrative overview and analysis of the financial activities of MAWC for the fiscal year ended September 30, 2022, with comparative information provided for 2021 and 2020. We encourage the readers to consider the information presented here in conjunction with additional information that we have furnished in MAWC's financial statements.

MAWC is a state-owned enterprise of the Republic of the Marshall Islands (RepMar) under the Ministry of Environment starting September 2, 2020, previously under the Ministry of Works, Infrastructure and Utilities. MAWC receives General Fund subsidies from the RepMar government. Other sources of funds are provided by grants from government and private institutions and from MAWC's own revenue from operations.

MAWC is engaged in collection and disposal of solid waste as well as implementation and operation of the Container Deposit Legislation (CDL) recycling program on Majuro Atoll. It is governed by a nine member Board of Directors, chaired by the Minister in Assistance to the President and Environment with members from Majuro Atoll Local Government (MALGOV), Chamber of Commerce, Tourism and Hospitality Community Association, Ministry of Health and Human Services (MOHHS), Ministry of Finance, Banking and Postal Services (MOFBPS), Office of Environmental Planning and Policy Coordination (OEPPC), Ministry of Works, Infrastructure and Utilities (MWIU) and Environmental Protection Authority (EPA), and is managed by 47 employees with the leadership of the General Manager.

OPERATIONAL AND FINANCIAL PERFORMANCE

MAWC's results of operations for FY 2022 have increased its net operating loss by \$210,262 (or 27.1%) from \$775,681 in 2021 to \$985,943 in 2022. Factors that contributed to the net unfavorable results for 2022 are attributed to the increase in operating expenses by \$160,846 (or 9%) from \$1,781,960 in 2021 to \$1,942,806 in 2022 and a decrease in operating revenues by \$49,416 (or 4.9%) from \$1,006,279 in 2021 to \$956,863 in 2022.

Major contributors to the decrease in operating revenues was the decrease in revenues from recycling fund revenues, other recycling revenues, and miscellaneous revenues offset by the increase in waste collection revenue. The increase in operating expenses was attributed to the increase in payroll, waste collection expense, depreciation, fuel, office supplies, utilities and communication, meetings and entertainment, insurance, professional and contractual services, financial assistance, Uniform and PPE, and miscellaneous expenses offset by the decrease in recycling expense, seawall, repair and maintenance, taxes and licenses, leases, and advertising.

Majuro Atoll Waste Company
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis, continued

FINANCIAL ANALYSIS OF MAWC

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position provide an indication of MAWC's financial condition. MAWC's net position reflects the difference between assets and liabilities. An increase in net position over time typically indicates an improvement in financial condition.

Net Position

A summary of MAWC's Statements of Net Position is presented below:

Summary Statements of Net Position
As of September 30

	2022	2021	\$ Change 2022-2021	% Change 2022-2021	2020
Assets:					
Current and other assets	\$ 443,751	\$ 673,374	\$ (229,623)	(34.1)%	\$ 153,449
Deposit on acquisition of capital assets	-	81,482	(81,482)	(100.0)%	-
Capital assets	<u>542,495</u>	<u>481,358</u>	<u>61,137</u>	12.7%	<u>580,564</u>
Total assets	<u>986,246</u>	<u>1,236,214</u>	<u>(249,968)</u>	(20.2)%	<u>734,013</u>
Liabilities:					
Current and other liabilities	<u>147,678</u>	<u>141,186</u>	<u>6,492</u>	4.6%	<u>112,624</u>
Net position:					
Net investment in capital assets	542,495	481,358	61,137	12.7%	580,564
Restricted	-	233,525	(233,525)	(100.0)%	89,221
Unrestricted	<u>296,073</u>	<u>380,145</u>	<u>(84,072)</u>	(22.1)%	<u>(48,396)</u>
Total net position	<u>\$ 838,568</u>	<u>\$ 1,095,028</u>	<u>\$ (256,460)</u>	(23.4)%	<u>\$ 621,389</u>

MAWC's total assets have decreased by \$249,968 (or 20.2%) from \$1,236,214 in 2021 to \$986,246 in 2022. This was primarily due to the decrease in cash of \$247,769 (or 41.5%) from \$596,994 in 2021 to \$349,225 in 2022, increase in net receivables by \$20,687 (or 28.6%) from \$72,339 in 2021 to \$93,026 in 2022 offset by the decrease in other current assets of \$2,541 (or 62.9%) from \$4,041 in 2021 to \$1,500 in 2022.

MAWC's total capital assets have increased by \$61,137 (or 12.7%) from \$481,358 in 2021 to \$542,495 in 2022, representing the net effect of current year additions less current year depreciation of \$197,240 and \$136,103, respectively.

Majuro Atoll Waste Company
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Management's Discussion and Analysis, continued

FINANCIAL ANALYSIS OF MAWC, CONTINUED

MAWC's total liabilities have increased by \$6,492 (or 4.6%) from \$141,186 in 2021 to \$147,678 in 2022. This increase was attributed to the increase in payable to affiliates of \$26,679 (or 65.7%) from \$40,632 in 2021 to \$67,311 in 2022 and the increase in payroll liabilities of \$2,592 (or 4.7%) from \$63,680 in 2021 to \$66,272 in 2022 offset by the decrease in accounts payable of \$22,779 (63.81%) from \$35,698 in 2021 to \$12,919 in 2022.

MAWC's total net position has decreased by \$256,460 (or 23.4%) from \$1,095,028 in 2021 to \$838,568 in 2022. This decrease was due to the decrease in both restricted and unrestricted net position of \$233,525 and \$84,072, respectively, offset by the increase in net investment in capital assets of \$61,137.

Change in Net Position

A summary of MAWC's Statements of Revenues, Expenses, and Changes in Net Position is presented below:

Summary Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u> <u>2022-2021</u>	<u>% Change</u> <u>2022-2021</u>	<u>2020</u>
Operating:					
Operating revenues	\$ 956,863	\$ 1,006,279	\$ (49,416)	(4.9)%	\$ 939,031
Operating expenses	<u>1,942,806</u>	<u>1,781,960</u>	<u>160,846</u>	9.0%	<u>1,617,075</u>
Operating loss	(985,943)	(775,681)	(210,262)	27.1%	(678,044)
Nonoperating:					
Nonoperating revenues	<u>708,506</u>	<u>965,393</u>	<u>(256,887)</u>	(26.6)%	<u>619,122</u>
	(277,437)	189,712	(467,149)	(246.2)%	(58,922)
Capital contributions	<u>20,977</u>	<u>283,927</u>	<u>(262,950)</u>	(92.6)%	<u>82,480</u>
Change in net position	<u>\$ (256,460)</u>	<u>\$ 473,639</u>	<u>\$ (730,099)</u>	(154.1)%	<u>\$ 23,558</u>

MAWC's operating revenues decreased by \$49,416 (or 4.9%) from \$1,006,279 in 2021 to \$956,863 in 2022 whilst operating expenses increased by \$160,846 (or 9%) from \$1,781,960 in 2021 to \$1,942,806 in 2022. Nonoperating revenues, which represents contributions from RepMar, decreased by \$256,887 (or 26.6%) from \$965,393 in 2021 to \$708,506 in 2022. Capital contributions, which primarily represents donations of capital assets from the Government of Japan, decreased by \$262,950 (or 92.6%) from \$283,927 in 2021 to \$20,977 in 2022.

Majuro Atoll Waste Company
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Management's Discussion and Analysis, continued

FINANCIAL ANALYSIS OF MAWC, CONTINUED

The decrease in operating revenues was attributed primarily to a decrease in recycling fund revenues of \$43,292 (or 5.4%) from \$796,320 in 2021 to \$753,028 in 2022. The increase in operating expenses was attributed primarily to an increase in: payroll costs of \$68,980 (or 11.6%) from \$594,535 in 2021 to \$663,515 in 2022; depreciation expense of \$4,651 (or 3.5%) from \$131,452 in 2021 to \$136,103 in 2022; fuel of \$26,655 (or 54.8%) from \$48,647 in 2021 to \$75,302 in 2022; office supplies of \$113 (or 0.6%) from \$18,180 in 2021 to \$18,294 in 2022; utilities and communication of \$407 (or 4.7%) from \$8,635 in 2021 to \$9,042 in 2022; meetings and entertainment of \$3,769 (or 49.1%) from \$7,676 in 2021 to \$11,446 in 2022; insurance of \$1,293 (or 36.7%) from \$3,527 in 2021 to \$4,820 in 2022; professional and contractual services of \$1,500 (or 60%) from \$2,500 in 2021 to \$4,000 in 2022; and miscellaneous expenses of \$5,901 (or 66.3%) from \$8,900 in 2021 to \$14,801 in 2022 offset by the decrease in recycling expenses of \$2,386 (or 0.4%) from \$682,901 in 2021 to \$680,515 in 2022; seawall of \$141,541 (or 66.4%) from \$213,090 in 2021 to \$71,549 in 2022; repair and maintenance of \$1,427 (or 2.9%) from \$49,130 in 2021 to \$47,702 in 2022; taxes and licenses of \$2,239 (or 29.1%) from \$7,706 in 2021 to \$5,466 in 2022; leases of \$333 (or 7.7%) from \$4,333 in 2021 to \$4,000 in 2022, and advertising of \$201 (or 26.9%) from \$747 in 2021 to \$546 in 2022.

Management's Discussion and Analysis for the year ended September 30, 2021 is set forth in MAWC's report on the audit of financial statements, which is dated September 6, 2022. Such Management Discussion and Analysis explains the major factors impacting the FY2021 financial statements and can be obtained from MAWC's General Manager via the contact information on page 9.

CAPITAL ASSETS AND LONG-TERM DEBT

At September 30, 2022, MAWC has investments in capital assets, net of accumulated depreciation, of \$542,495 an increase of \$61,137 (or 12.7%) from 2021. This increase is the result of current year depreciation expense amounting to \$136,103 offset by current year additions to depreciable capital assets amounting to \$197,240. The capital asset additions in FY2022 pertain to truck and heavy equipment and waste collection equipment.

Majuro Atoll Waste Company
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Management's Discussion and Analysis, continued

CAPITAL ASSETS AND LONG-TERM DEBT, CONTINUED

A summary of MAWC's capital assets is presented below:

Summary Schedules of Capital Assets
As of September 30

	2022	2021	\$ Change 2022-2021	% Change 2022-2021	2020
Office equipment	\$ 36,401	\$ 26,299	\$ 10,102	38.4%	\$ 18,334
Recycling equipment	503,822	503,822	-	0.0%	503,822
Truck and heavy equipment	501,570	442,203	59,367	13.4%	521,729
Buildings and other structures	29,694	29,694	-	0.0%	29,694
Recycle center	185,684	185,684	-	0.0%	185,684
Waste collection equipment	533,599	405,828	127,771	31.5%	405,828
	1,790,770	1,593,530	197,240	12.4%	1,665,091
Accumulated depreciation	(1,248,275)	(1,112,172)	(136,103)	12.2%	(1,084,527)
	<u>\$ 542,495</u>	<u>\$ 481,358</u>	<u>\$ 61,137</u>	12.7%	<u>\$ 580,564</u>

Capital assets are summarized in note to the financial statements. Please refer to Note 3 for additional information concerning capital assets. At this time, MAWC has no long-term debt.

ECONOMIC FACTORS AND NEXT YEARS BUDGET AND RATES

Fiscal Year 2022 Budget

MAWC received a \$708,506 financial subsidy from RepMar's General Fund and generated total operating revenues of \$956,863, which was lower than anticipated revenues of \$1,740,018. The decrease in operating revenues is primarily caused by the decrease in revenues from CDL and recycling.

Fiscal Year 2023 Budget

MAWC operational funding for FY2023 remains the same from FY2022, amounting to \$702,375 that will be coming from RepMar's General Fund plus anticipated grants and operating revenues of \$1,898,704 that aim to attain the following four outputs/goals:

1. All residential and commercial solid waste in Majuro service areas successfully collected in bins, bags or as bulk materials, and hauled to landfill for segregation, recycling or disposal.

Majuro Atoll Waste Company
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Management's Discussion and Analysis, continued

ECONOMIC FACTORS AND NEXT YEARS BUDGET AND RATES, CONTINUED

Fiscal Year 2023 Budget, continued

2. All segregated, non-recyclable waste from Majuro service areas effectively disposed of in semi-sanitary landfill.
3. All segregated, recyclable waste from Majuro service areas processed for local reuse or exportation.
4. MAWC's operations and development guided by effective strategic plans and governance of Board of Directors with manager.

MAWC will continue to develop and implement strategic and annual action plans, build revenues towards sustainable financing and more independent operations as befit a state-owned enterprise.

CONTACT US

Questions associated with the above MD&A may be sent by post addressed to Halston Debrum, General Manager, P.O. Box 3596, Majuro, MH 96960, or via email to mawc.gm@gmail.com or call mobile no. (692) 455-3736.

Majuro Atoll Waste Company
(A Component Unit of the Republic of the Marshall Islands)

Statement of Net Position

September 30, 2022

Assets

Current assets:	
Cash	\$ 349,225
Receivables:	
Trade	78,537
Due from RepMar	57,625
Affiliates	53,617
	<u>189,779</u>
Less allowance for doubtful accounts	<u>(96,753)</u>
Receivables, net	93,026
Other current assets	<u>1,500</u>
Total current assets	443,751
Capital assets, net of accumulated depreciation	<u>542,495</u>
	<u><u>\$ 986,246</u></u>

Liabilities and Net Position

Current liabilities:	
Accounts payable	\$ 12,919
Payroll liabilities	66,272
Other liabilities and accruals	1,176
Payable to affiliates	67,311
Total liabilities	<u>147,678</u>
Commitment and contingencies	
Net position:	
Net investment in capital assets	542,495
Unrestricted	<u>296,073</u>
Total net position	<u>838,568</u>
	<u><u>\$ 986,246</u></u>

See accompanying notes .

Majuro Atoll Waste Company
(A Component Unit of the Republic of the Marshall Islands)

Statement of Revenues, Expenses and Changes in Net Position

Year Ended September 30, 2022

Operating revenues:	
Recycling fund revenues	\$ 753,028
Other recycling revenues	123,582
Waste collection	84,650
Other	94
Bad debt expense	(4,491)
Total operating revenues	<u>956,863</u>
Operating expenses:	
Recycling	680,515
Payroll	663,515
Waste collection expense	144,455
Depreciation	136,103
Fuel	75,302
Seawall	71,549
Repairs and maintenance	47,702
Uniform and PPE	39,500
Office supplies	18,294
Financial assistance	11,750
Meetings and entertainment	11,446
Utilities and communication	9,042
Taxes and licenses	5,466
Insurance	4,820
Leases	4,000
Professional and contractual services	4,000
Advertising	546
Miscellaneous	14,801
Total operating expenses	<u>1,942,806</u>
Loss from operations	(985,943)
Nonoperating revenues:	
RepMar subsidy	<u>708,506</u>
Loss before capital contributions	<u>(277,437)</u>
Capital contributions:	
Republic of China	12,664
Asian Development Bank	8,313
	<u>20,977</u>
Change in net position	(256,460)
Net position at beginning of year	<u>1,095,028</u>
Net position at end of year	<u><u>\$ 838,568</u></u>

See accompanying notes.

Majuro Atoll Waste Company
(A Component Unit of the Republic of the Marshall Islands)

Statement of Cash Flows

Year Ended September 30, 2022

Cash flows from operating activities:	
Cash received from the Recycling Fund	\$ 724,335
Cash received from customers	211,841
Cash payments to suppliers for goods and services	(1,154,997)
Cash payments to employees for services	(672,673)
Net cash used in operating activities	<u>(891,494)</u>
Cash flows from noncapital financing activities:	
Operating subsidy received from RepMar	<u>708,506</u>
Cash flows from capital and related financing activities:	
Acquisition of property and equipment	<u>(64,781)</u>
Net change in cash	(247,769)
Cash at beginning of year	<u>596,994</u>
Cash at end of year	<u><u>\$ 349,225</u></u>
Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	\$ (985,943)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation	136,103
Bad debt expense	4,491
(Increase) decrease in assets:	
Receivables:	
Trade	9,581
Affiliates	(34,759)
Other assets	2,541
Increase (decrease) in liabilities:	
Accounts payable	(22,779)
Payroll liabilities	2,592
Payable to affiliates	(3,321)
Net cash used in operating activities	<u><u>\$ (891,494)</u></u>
Noncash capital and related financing activities:	
Donation of capital assets from Republic of China (ROC):	
Capital assets	\$ (12,664)
Capital contributions	12,664
	<u><u>\$ -</u></u>
Donation of capital assets from Asian Development Bank (ADB):	
Capital assets	\$ (8,313)
Capital contributions	8,313
	<u><u>\$ -</u></u>
Payment for truck by RepMar on behalf of MAWC:	
Capital assets	\$ (30,000)
Payable to affiliates	<u>30,000</u>
	<u><u>\$ -</u></u>

See accompanying notes.

Majuro Atoll Waste Company
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements

September 30, 2022

1. Organization

Majuro Atoll Waste Company (MAWC) was incorporated under the laws of the Republic of the Marshall Islands (RepMar) on January 30, 2007 for the purpose of engaging in, but not limited to, the collection and disposal of solid waste on Majuro Atoll.

In accordance with Cabinet Minute 205 (2020), the RepMar Cabinet authorized the transfer of operational concerns and policy matters with respect to MAWC from the Ministry of Works, Infrastructure and Utilities to the Ministry of Environment.

MAWC is governed by a nine-member Board of Directors, which includes the Minister in Assistance to the President and Environment, the Secretary of the Ministry of Works, Infrastructure and Utilities, the Majuro Atoll Local Government Councilman on the Executive Committee responsible for solid waste management, and one member each respectively nominated by the Chamber of Commerce, the Tourism and Hospitality Community Association, the Office of Environmental Planning and Policy Coordination, the Ministry of Health and Human Services, the National Environmental Protection Authority, and the Ministry of Finance, Banking and Postal Services.

MAWC's financial statements are incorporated into the financial statements of RepMar as a component unit.

2. Summary of Significant Accounting Policies

The accounting policies of MAWC conform to accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental entities, specifically proprietary funds.

GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and 34*, establish financial reporting standards for governmental entities, which require that management's discussion and analysis of the financial activities be included with the basic financial statements and notes and modifies certain other financial statement disclosure requirements.

Majuro Atoll Waste Company
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

To conform to these requirements, equity is presented in the following net position categories:

- Net investment in capital assets - capital assets, net of accumulated depreciation and related debt, plus construction or improvement of those assets.
- Unrestricted - net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use for the same purpose, it is MAWC's policy to use unrestricted resources first, then restricted resources as they are needed.

Basis of Accounting

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources, and liabilities and deferred inflows of resources associated with the operation of the fund are included in the statement of net position. Proprietary fund operating statements present increases and decreases in net position. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Cash

Custodial credit risk is the risk that in the event of a bank failure, MAWC's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. MAWC does not have a deposit policy for custodial credit risk.

For purposes of the statements of net position and cash flows, cash is defined as cash on hand and cash held in demand and savings accounts. As of September 30, 2022, the carrying amount of cash was \$349,225 and the corresponding bank balance was \$364,759, which is maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance.

As of September 30, 2022, bank deposits in the amount of \$250,000 were FDIC insured. MAWC does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

Majuro Atoll Waste Company
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Receivables

All receivables are due from government agencies, businesses and individuals located within the Republic of the Marshall Islands and are interest free and uncollateralized. The allowance for uncollectible accounts is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectability of these accounts and prior collection experience.

Management determines the adequacy of the allowance for uncollectible accounts based upon review of the aged accounts receivable. The allowance is established through a provision for bad debts charged to expense. Bad debts are written off against the allowance on the specific identification method.

Property and Equipment

MAWC generally capitalizes individual items with a cost that equals or exceeds \$250 and has estimated useful life of more than one year. Property and equipment is recorded at cost. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets.

The estimated useful lives of these assets are as follows:

	Estimated Useful Lives
Recycling equipment	5 - 10 years
Truck and heavy equipment	5 - 10 years
Waste collection equipment	5 - 10 years
Recycle equipment	10 years
Office equipment	3 years
Waste segregation structure	10 years
Building improvements	5 years

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until then. MAWC has no items that qualify for reporting in this category.

Majuro Atoll Waste Company
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Compensated Absences

Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick benefits. As of September 30, 2022, the accumulated vacation leave liability amounted to \$18,736, and is included within the statement of net position as payroll liabilities.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then. MAWC has no items that qualify for reporting in this category.

Revenue Recognition

MAWC considers recycling and waste collection revenues and costs directly related to such revenues to be operating revenues and expenses. Revenues and expenses related to financing and other activities are reflected as nonoperating. Capital grants, financing or investing related transactions are reported as non-operating revenues. Revenue is recognized on the accrual basis and is recorded upon billing when services have been completed. All expenses related to operating MAWC are reported as operating expenses.

Recently Adopted Accounting Pronouncements

In 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective dates of GASB Statement No. 84, 89, 90, 91, 92 and 93 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, MAWC's management has elected to postpone implementation of these statements.

Majuro Atoll Waste Company
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

During the year ended September 30, 2022, MAWC implemented the following pronouncements:

- GASB Statement No. 87, *Leases*, which increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 92, *Omnibus 2020*, which enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, which increases consistency and comparability related to the reporting of fiduciary component units; mitigates costs associated with the reporting of certain pension plans and other postemployment benefit (OPEB) plans as fiduciary component units; and enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of this statement did not have a material effect on the accompanying financial statements.

Majuro Atoll Waste Company
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

- GASB Statement No. 98, *The Annual Comprehensive Financial Report*, which establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 99, *Omnibus 2022*, which provides clarification guidance on several of its recent statements that addresses different accounting and financial reporting issues identified during implementation of the new standards and during the GASB's review of recent pronouncements. GASB Statement No. 99:
 - 1) Amends guidance in GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, requiring that the accounting and financial reporting of Supplemental Nutrition Assistance Program (SNAP) transactions should follow the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, as amended. These provisions were effective upon issuance and implementation did not have a material effect on the accompanying financial statements.
 - 2) Requires disclosures related to nonmonetary transactions, in the notes to financial statements, of the measurement attribute(s) applied to the assets transferred rather than the basis of accounting for those assets. These provisions were effective upon issuance and implementation did not have a material effect on the accompanying financial statements.
 - 3) Provides guidance on accounting for pledges of future revenues when resources are not received by the pledging government. The guidance addresses the process of blending a component unit created to issue debt on behalf of a primary government when that component unit is required to be presented as a blended component unit. This guidance was effective upon issuance and implementation did not have a material effect on the accompanying financial statements.
 - 4) Provides clarification of provisions in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended, related to the focus of the government-wide financial statements. This guidance was effective upon issuance and implementation did not have a material effect on the accompanying financial statements.

Majuro Atoll Waste Company
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

- 5) Provides terminology updates related to certain provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and terminology used in GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. These updates were effective upon issuance and implementation did not have a material effect on the accompanying financial statements.
- 6) GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which amended GASB Statement No. 53 to address transition away from the London Interbank Offered Rate (LIBOR). GASB Statement No. 99 extends the period during which the LIBOR is considered an appropriate benchmark interest rate to when LIBOR ceases to be determined using methodology in place as of December 31, 2021. This guidance was effective upon issuance and implementation did not have a material effect on the accompanying financial statements.

Upcoming Accounting Pronouncements

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 91 will be effective for fiscal year ending September 30, 2023.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 94 will be effective for fiscal year ending September 30, 2023.

Majuro Atoll Waste Company
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This Statement contains guidance whose effective dates are in future periods. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 99:

- 1) Modifies guidance in GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, to bring all guarantees under the same financial reporting requirements and disclosures effective for fiscal year ending September 30, 2024.
- 2) Provides guidance on classification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for fiscal year ending September 30, 2024.
- 3) Provides clarification of provisions in GASB Statement No. 87 related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives effective for fiscal year ending September 30, 2023.
- 4) Provides clarification of provisions in GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset. Effective for fiscal year ending September 30, 2023.

Majuro Atoll Waste Company
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

- 5) Provides clarification of provisions in GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability. Effective for fiscal year ending September 30, 2023.
- 6) Modifies accounting and reporting guidance in GASB Statement No. 53 related to termination of hedge. Guidance is effective for fiscal year ending September 30, 2023.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*. This Statement enhances accounting and financial reporting requirements for accounting changes and error corrections and requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. Requirements applicable to changes in accounting principles apply to the implementation of a new pronouncement if there is no specific transition guidance in the new pronouncement. The Statement also requires that aggregate amounts of adjustments to, and restatements of, beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 100 will be effective for fiscal year ending September 30, 2024.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The primary objective of the Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid, provided the services have occurred, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or noncash means. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 101 will be effective for fiscal year ending September 30, 2025.

Majuro Atoll Waste Company
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Taxes

Corporate profits are not subject to income tax in the Marshall Islands. Instead, RepMar imposes a gross receipts tax (GRT) of 3% on revenues. MAWC is specifically exempt from this tax.

Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Capital Assets

Capital asset activities for the year ended September 30, 2022, were as follows:

	October <u>1, 2021</u>	<u>Additions</u>	Transfers and <u>Disposals</u>	September <u>30, 2022</u>
Recycling equipment	\$ 503,822	\$ ---	\$ ---	\$ 503,822
Truck and heavy equipment	442,203	59,367	---	501,570
Waste collection equipment	405,828	127,771	---	533,599
Recycle center	185,684	---	---	185,684
Office equipment	26,299	10,102	---	36,401
Waste segregation structure	16,223	---	---	16,223
Building improvements	<u>13,471</u>	<u>---</u>	<u>---</u>	<u>13,471</u>
	1,593,530	197,240	---	1,790,770
Less accumulated depreciation	<u>(1,112,172)</u>	<u>(136,103)</u>	<u>---</u>	<u>(1,248,275)</u>
	<u>\$ 481,358</u>	<u>\$ 61,137</u>	<u>\$ ---</u>	<u>\$ 542,495</u>

During the year ended September 30, 2022, MAWC was the recipient of donated heavy equipment as a capital contribution from the Republic of China in the amount of \$12,664 and donated office equipment from the Asian Development Bank in the amount of \$8,313.

Majuro Atoll Waste Company
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

4. Related Party Transactions

MAWC is a component unit of RepMar and is therefore affiliated with all RepMar-owned and affiliated entities, including the RMI Environmental Protection Authority. MAWC utilizes services from certain affiliated entities at substantially the same terms and conditions as those incurred from third parties. A summary of related party transactions as of and for the year ended September 30, 2022 are as follows:

	<u>Revenues</u>	<u>Expenses</u>	<u>Receivables</u>	<u>Payables</u>
Marshall's Energy Company, Inc.	\$ 959	\$ 64,503	\$ 787	\$ 420
Marshall Islands Social Security Administration	117	64,014	465	31,079
College of the Marshall Islands	2,110	---	1,614	---
Marshall Islands National Telecommunications Authority	350	1,679	200	280
RepMar	8,872	5,032	39,360	35,532
Other	<u>10,242</u>	<u>2,800</u>	<u>11,191</u>	<u>---</u>
	<u>\$ 22,650</u>	<u>\$ 138,028</u>	<u>\$ 53,617</u>	<u>\$ 67,311</u>

In accordance with the Styrofoam Cups and Plates, and Plastic Products Prohibition and Container Deposit Act 2016, RepMar established a Recycling Program for the purpose of creating a self-supported, safe and efficient system of disposal of recyclable beverage containers in the Marshall Islands. A deposit fee is levied on each deposit beverage container manufactured in or imported into the Marshall Islands, which fees are deposited into the Recycling Fund maintained by the Ministry of Finance, Banking and Postal Services. Payments are made from the Recycling Fund to compensate redemption centers at which empty beverage containers maybe returned for a payment in return of 5 cents per item. MAWC has entered into an agreement with the RMI Environmental Protection Authority whereby MAWC has agreed to act as a collection and processing center for empty beverage containers. In return, MAWC shall be paid 6 cents per item from the Recycling Fund. During the year ended September 30, 2022, MAWC received distributions of \$753,028 from the Recycling Fund. MAWC has recorded a receivable from RepMar as of September 30, 2022 of \$57,625 associated with the Recycling Program.

Majuro Atoll Waste Company
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

4. Related Party Transactions, continued

During the year ended September 30, 2022, the operations of MAWC were funded by appropriations from the Nitijela of RepMar as follows:

General Fund:

Operating subsidy	\$ 696,756
COVID financial assistance	<u>11,750</u>
	<u>\$ 708,506</u>

5. Contingencies

Dependency on the Government of the Republic of the Marshall Islands (RepMar)

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which contemplates the continuation of MAWC as a going concern. MAWC sustained substantial operating losses during the year ended September 30, 2022 of \$985,943. Management acknowledges that it is currently dependent on RepMar for cash funding in order to maintain MAWC as a going concern. Although RepMar has provided funding in the past, MAWC does not have a formal agreement with RepMar to provide funds in the future. Management believes that the continuation of MAWC's operations is dependent upon the future financial support of RepMar, deferment in payment of certain liabilities, and/or significant improvements in operations.

In view of these matters, realization of the related assets in the accompanying statement of net position as of September 30, 2022, is dependent upon continued operations of MAWC, which, in turn, is dependent upon MAWC's ability to provide service to its customers and the success of future operations. Management believes that actions presently being undertaken to revise MAWC's operating requirements, including the generation of positive cash flows from operations, and increasing the customer base, provide the opportunity for MAWC to continue as a going concern. For the year ended September 30, 2023, RepMar appropriated \$702,375 to MAWC for the purpose of funding operations.

Majuro Atoll Waste Company
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

5. Contingencies, continued

Federal Grants

MAWC participates in a number of U.S. Department of the Interior grants. These programs are subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. Questioned costs of \$903,552 were identified in 2019 for which related Single Audit Reports were issued in prior year. The ultimate disposition of the questioned costs can be determined only by the final action of the grantor agency. Therefore, no provision for any liability that may result upon resolution of this matter has been made in the accompanying financial statements.

6. Employee Retirement Plan

MAWC has implemented a defined contribution retirement savings plan (the Plan) for its employees who have completed at least three (3) months of service. Plan participants may either contribute a minimum of \$3 up to 5% of their gross salaries or up to the amount of the plan participant's specified contribution to be matched 100% by MAWC whichever is lower of the amounts. Withdrawal from the Plan occurs upon termination of employment, retirement at age 65, permanent disability or death. Plan assets are held in a trust fund administered by a trustee in accordance with the trust agreement. Management has the authority to establish or amend Plan provisions and contribution requirements. During the year ended September 30, 2022, MAWC contributed \$13,365 to Plan participant accounts. As of September 30, 2022, total Plan assets were \$28,042.

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
Majuro Atoll Waste Company

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Majuro Atoll Waste Company (MAWC), which comprise the statement of net position as of September 30, 2022, and the statements of revenues, expenses and changes in net position and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 5, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MAWC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MAWC's internal control. Accordingly, we do not express an opinion on the effectiveness of MAWC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether MAWC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of MAWC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MAWC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst + Young LLP

February 5, 2024